Four Canadian-listed stocks pitched at the Capitalize for Kids Conference

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Hedge fund heavyweights converged on Bay Street this week, each armed with their single best stock idea, in service of raising money for children’s mental health.

The Capitalize for Kids Conference saw big names such as U.S. fund managers Robert Citrone and Jeffrey Smith pitching investment ideas to attendees paying up to $4,000 a ticket.

“We’re shooting as high as we possibly can,” said Quentin Broad, managing director of Capitalize for Kids. “We’ve tried every year to get Warren Buffett.” So far, no luck there.

But they did raise $1.3-million this year, bringing the total over the six years the conference has been running to more than $8-million. The organization uses that money to work with children’s mental-health agencies, in part to help improve access and bring down wait times.

These are the Canadian-listed stocks pitched over the two-day event:

JEFFREY OLIN, PRESIDENT, VISION CAPITAL

LONG: BSR Real Estate Investment Trust (HOM.U-TSX)

BSR is focused exclusively on U.S. residential rental markets, so it tends to get overlooked by Canadian investors. And because the company is listed exclusively in Canada, it tends to get overlooked by American investors as well.

As a result, BSR trades at a substantial discount to both its peers and its own net asset value, Mr. Olin said.

“Where do you buy U.S. apartments – the most highly sought after asset class in the real estate world – in high-growth markets … at a discount? The answer is the Toronto Stock Exchange.”

More and more Americans are choosing rentals over home ownership, for a variety of reasons ranging from delayed household formation to high levels of student debt.

BSR currently has about 10,000 apartment units, with markets in Texas accounting for more than half of net operating income. And

YU-JIA ZHU, CHIEF INVESTMENT OFFICER, WHITE CRANE CAPITAL

SHORT: Maple Leaf Foods Inc. (MFI-TSX)

Investors fail to appreciate Maple Leaf's potential liability from a federal investigation into price-fixing in the bread industry, Mr. Zhu argued.

Maple Leaf owned 90 per cent of Canada Bread during the time of alleged price-fixing and the two companies shared multiple executives, he said.

Maple Leaf sold Canada Bread to Grupo Bimbo in 2014, and the Mexican baker paid a US$1.7-billion purchase price based on earnings from the period when the Canadian government's Competition Bureau alleges the bread industry fixed prices. (No resolution to the matter has been announced.)

Maple Leaf has previously stated it has no knowledge of any activities taken by Canada Bread that would have contravened competition rules, and that Canada Bread was a separate company.

Investors have also bid up Maple Leaf in part on expectations that it will compete in the emerging segment of meat substitutes, where the shares of Beyond Meat Inc. have skyrocketed after its initial public offering. But Maple Leaf's success on that front is far from certain, and results so far are not demonstrating the "hypergrowth" investors seem to be expecting, Mr. Zhu said.

DAVID PICTON, PRESIDENT, PICTON MAHONEY ASSET MANAGEMENT

LONG: Element Fleet Management Corp. (EFN-TSX)

This is a tough market in which to find quality stocks at a good price, Mr. Picton said. Element stands out by virtue of its valuation still being weighed down by its "colourful history."

The world's largest fleet-management business, Element suffered from an ill-fated, debt-fuelled acquisition strategy. A dividend cut and restructuring came after, all of which saw the company's share-price crash by more than 75 per cent up to March, 2018.

The turnaround effort is now starting to show results, Mr. Picton said. "It's now a cleaned-up company, two times the size of the second-largest player in North America in the fleet business."

A profit-improvement plan has set the groundwork for double-digit earnings growth and the potential for at least 25-per-cent dividend expansion over the next five years, he added. The company offers car fleet vehicles, work trucks and material handling equipment.

"You generate massive amounts of free cash flow in this business. As you continue in a de-levered state, you can start playing around with capital allocation."

The company owns a collection of databases of financial and legal information that historically has been managed to generate cash and pay a dividend, but is now poised for growth in both revenue and profits.

A recent transaction to sell a chunk of its financial and risk business, now known as Refinitiv, to Blackstone Group has been a winner, as less than a year later Thomson Reuters and Blackstone agreed to sell Refinitiv to the London Stock Exchange at a significant premium. (Thomson Reuters is majority-owned by Woodbridge Co. Ltd., the investment company of Canada's Thomson family. Woodbridge also owns The Globe and Mail.)

Mr. Bharadwa said the company has organic growth opportunities as well as the chance to grow through acquisitions. In the meantime, it can potentially expand profit margins by as much as 10 percentage points through cost cuts.

As profits rise and U.S. investors learn more about the company, Mr. Bharadwa expects a 45-per-cent total return over the next two years.

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